

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7497

BILL NUMBER: SB 551

DATE PREPARED: Feb 17, 1999

BILL AMENDED: Feb 16, 1999

SUBJECT: Drinking water and wastewater loans.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) (1) This bill adopts the federal definition of "public water system" for purposes of the statute governing the Drinking Water Revolving Loan Fund. (The federal law applies to water systems that provide water to the public for human consumption and have at least 15 service connections or regularly serve at least 25 individuals, regardless of whether the system is publicly or privately owned.) It provides that a public water system is a qualified entity for purposes of financial assistance under the bond bank statute. It permits the Drinking Water Revolving Loan Fund to provide financial assistance to political subdivisions and public water systems. (Current law provides that the Fund may be used only to provide financial assistance to political subdivisions.)

(2) It combines the Supplemental Wastewater Assistance Fund and the Supplemental Drinking Water Assistance Fund into a Supplemental Drinking Water and Wastewater Assistance Fund.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) (1) This bill adopts the federal definition of "public water system" for purposes of the Drinking Water Revolving Loan Fund (RLF). It permits the RLF to provide financial assistance to political subdivisions and public water systems. Current law provides that the RLF may be used only to provide financial assistance to political subdivisions. This would expand eligibility for funding to include investor-owned water utilities and private companies. It is estimated that \$40 to \$60 million in financial assistance is available from the RLF each year. The actual amount of money loaned each year is dependent upon demand. To date, only one RLF loan has been made to the city of Dayton.

(2) This bill would allow the State Budget Agency to operate the Supplemental Wastewater Assistance Fund and the Supplemental Drinking Water Assistance Fund as one fund. This would simplify administration of the funds, but would not impact the amount of money appropriated to or the amount of money paid from the supplemental funds. The supplemental funds are funded through state appropriations.

Explanation of State Revenues: (Revised) (1) If Indiana does not allow all entities that are eligible under the federal program to be eligible under the state program, the amount of money Indiana receives in capitalization grants from the U.S. Environmental Protection Agency (EPA) could be impacted. Money from the EPA is leveraged in the bond market. Money from the bonds is then used for loans. Indiana's allotment from the EPA for the RLF was approximately \$8.7 million in FFY 98 and approximately \$9.3 million in FFY 99.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) (1) If investor-owned water utilities and private companies become eligible for funding from the RLF, the amount of money available for political subdivisions could be impacted.

State Agencies Affected: State Budget Agency; Indiana Department of Environmental Management.

Local Agencies Affected: Political subdivisions

Information Sources: Dan Novreske, State Budget Agency, 233-5707.